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STATE OF MONTANA

MONTANA ARTS COUNCIL

Report on the Examination
of Financial Statements

Two Fiscal Years Ended June 30, 1981

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STATE OF MONTANA

MONTANA ARTS COUNCIL

Report on the Examination
of Financial Statements

Two Fiscal Years Ended June 30, 1981

81-22

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Helena, Montana 59620

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MONTANA ARTS COUNCIL

APPOINTIVE AND ADMINISTRATIVE OFFICIALS

MONTANA ARTS COUNCIL MEMBERS

	Term Expires
Jessica Stickney (Chairperson)	1982
Shirley Cleary	1982
Alan Goddard	1982
Robert Morrison	1982
William Yellowtail	1982
Maxine Blackmer	1983
Claudette Johnson	1983
B. Howard Hunke	1983
Susan Talbot	1983
Marian Thielman	1983
Ceridwen Breen	1985
Lorilee Driscoll	1985
John H. Johnson	1985
JoAnne Troxel	1985
Carolyn Valacich	1985

ADMINISTRATIVE OFFICIALS

David E. Nelson	Executive Director
Jo-Anne Mussulman	Grants Officer

SUMMARY OF RECOMMENDATIONS

As a separate section in the front of each audit report we include a listing of all recommendations together with a notation as to whether the agency concurs or does not concur with each recommendation. This listing serves as a means of summarizing the recommendations contained in the report and the audited agency's reply thereto and also as a ready reference to the supporting comments. The full replies of the Montana Arts Council and the Department of Administration are included in the back of this report.

		Page
1	Establish guidelines to properly restate cash transactions occuring between responsibility centers or accounting entities within a fund.	3

Department of Administration Reply: Concur. See page 21.

2	Record revenue in accordance with generally accepted accounting principles.	4

Agency Reply: Concur. See page 20.

3A	Contact the Department of Health and Human Services for guidance on compliance with Attachment P audit requirements for small subgrantees.	5

Agency Reply: Concur. See page 20.

3B	Include Circular A-102, Attachment P audit requirements in contracts with subgrantees.	5

Agency Reply: Concur. See page 20.

3C	Ensure compliance by obtaining copies of all required audit reports.	5

Agency Reply: Concur. See page 20.

4	Submit financial reports when due or request written authorization for extension of report due dates.	6

Agency Reply: Concur. See page 20.

5	Recover indirect costs of federal assistance programs in accordance with state law and deposit them in accordance with state policy.	7

Agency Reply: Concur. See page 20.

COMMENTS

INTRODUCTION

We performed a financial/compliance audit of the Montana Arts Council (Council) for the two fiscal years ended June 30, 1981. The objectives of our audit were to: (1) determine if the agency's financial statements present fairly the financial position at June 30, 1981 and the results of operations for the two fiscal years then ended, (2) determine if the council complied with significant applicable laws and regulations, and (3) make recommendations for improvement in the management and internal controls.

We thank the Montana Arts Council staff for their cooperation and assistance during the audit.

BACKGROUND

The Montana Arts Council was established as a state agency in 1967. The Executive Reorganization Act of 1971 transferred the Council to the State Board of Education for purposes of planning and coordination; however, governance, management, and control of the agency vests in the members of the Montana Arts Council.

The Council consists of fifteen members appointed by the governor, with consent of the senate, for a term of five years. A list of council members is presented in the front of this report. Members do not receive compensation for their services, other than reimbursement for travel expenses.

The duties of the Council include: (1) encouraging the study and presentation of the arts throughout the state, (2) cooperating with public and private institutions in artistic and cultural activities, (3) fostering public interest in the cultural heritage of Montana

and expanding the state's cultural resources, and (4) encouraging and assisting freedom of artistic expression.

The Council's primary source of revenue is from federal grants from the National Endowment of the Arts. The Council contracts with individuals or regrants these funds to non-profit organizations in the state for completion of various art projects. The National Endowment requires that the funds be matched by the state or subgrantee on at least a dollar-for-dollar basis.

Cost of Implementing Recommendations

In accordance with section 5-13-307, MCA, we analyzed the costs of implementing the recommendations made in this report. Based on this analysis, we determined there will be no significant costs to the Council to implement the recommendations contained herein.

CASH RESTATEMENT

During the fiscal year-end adjustment period, state agencies continued to pay fiscal year 1980-81 claims. To reflect actual June 30 cash balances for financial statement purposes, the Department of Administration established special control accounts for amounts paid or received during the adjustment period.

When documents are processed during the adjustment period, the special control accounts are automatically generated in place of the normal cash accounts. Documents should be specially coded in situations where it is proper for cash to be adjusted; for example, when transactions occur between responsibility centers or accounting entities within a fund. As a result of not specially coding the documents and using the cash control accounts, accounts receivable

and payable are overstated on SBAS by $951 in the General Fund and $13,666 in the Special Revenue Fund.

The accompanying financial statements have been adjusted to fairly present the account balances.

RECOMMENDATION #1

WE RECOMMEND THAT THE DEPARTMENT OF ADMINISTRATION ESTABLISH GUIDELINES TO PROPERLY RESTATE CASH TRANSACTIONS OCCURRING BETWEEN RESPONSIBILITY CENTERS OR ACCOUNTING ENTITIES WITHIN A FUND.

REVENUE RECOGNITION

The Council recorded federal revenues using the cash basis of accounting and recognized revenue at the time cash was received. According to generally accepted accounting principles, federal grant revenues should be recognized at the time of making an expenditure since the expenditure of funds is the prime factor for determining eligibility.

At fiscal year-end 1979-80 and 1980-81, the Council should have deferred the recognition of $17,382 and $7,294 in revenue on SBAS in the Special Revenue Fund until the next fiscal year since eligible expenditures had not been made.

The financial statements for the Special Revenue Fund were adjusted for the misstatements described above.

RECOMMENDATION #2

WE RECOMMEND THAT MONTANA ARTS COUNCIL RECORD REVENUE IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES.

FEDERAL GRANTS

Introduction

Our audit of federal moneys was performed in accordance with the requirements in the U.S. Office of Management and Budget Circular A-102, Attachment P. This circular provides for audits of financial operations, including compliance with certain provisions of federal law and regulations.

Montana Arts Council received grants from the National Endowment of the Arts. We reviewed a sample of these grants to determine whether reported costs were allowable and reasonable and whether grant terms were complied with. We did not question any costs relating to the Council's use of federal funds during fiscal years 1979-80 and 1980-81.

Instances of non-compliance for tested items are discussed below. Nothing came to our attention indicating possible non-compliance in items not tested.

Audits of Subgrantees

Montana Arts Council subgrants funds to non-profit organizations in the state for completion of various art projects. These subgrants range from $100 to $20,000. Office of Management and Budget (OMB), Circular A-102, Attachment P, which became effective October 22, 1979, states, "Recipients (of federal assistance)

shall require subrecipients that are state and local governments or Indian tribal governments to adopt the (audit) requirements in (Circular A-102, Attachment P)."

Subgrantees are responsible for ensuring that their audit meets the requirements of grantors. Montana Arts Council is responsible for ensuring that audit reports for subgrantees are received as required and made available to Montana's cognizant federal agency, the Department of Health and Human Services.

The potential cost of an audit of a small subgrantee may exceed the value of the grant; therefore, the Council should contact Montana's cognizant federal agency for guidance on compliance with Attachment P requirements. Failure to comply with OMB requirements could be a basis for future denial of federal funds.

RECOMMENDATION #3

WE RECOMMEND THAT MONTANA ARTS COUNCIL:

A. CONTACT THE DEPARTMENT OF HEALTH AND HUMAN SERVICES FOR GUIDANCE ON COMPLIANCE WITH ATTACHMENT P AUDIT REQUIREMENTS FOR SMALL SUBGRANTEES.

B. INCLUDE CIRCULAR A-102, ATTACHMENT P, AUDIT REQUIREMENTS IN CONTRACTS WITH SUBGRANTEES.

C. ENSURE COMPLIANCE BY OBTAINING COPIES OF ALL REQUIRED AUDIT REPORTS.

Federal Reports

Final financial reports are due to the federal government ninety days after the completion or termination of federal support. The final report on the Basic State Operating Grant funds for federal fiscal year ended September 30, 1980 had not yet been submitted one year later.

The Council did not submit a written request for an extension of the report's due date, stating they received verbal approval for an extension.

RECOMMENDATION #4

WE RECOMMEND THAT MONTANA ARTS COUNCIL SUBMIT FINANCIAL REPORTS WHEN DUE OR REQUEST WRITTEN AUTHORIZATION FOR EXTENSION OF REPORT DUE DATES.

Indirect Cost Reimbursement

The federal government recognizes and provides for reimbursement to state agencies for indirect costs incurred in the administration of federal grants. Section 17-3-111, MCA, and Management Memo 4-81-7 require that each agency negotiate agreements with the federal government to recover, to the fullest extent possible, indirect costs of administering federal grants.

During fiscal years 1979-80 and 1980-81, the Council received federal grants totaling $351,614 and $398,258, respectively. We estimated that approximately $856 could have been reimbursed to the General Fund in fiscal year 1979-80 and $1,664 in fiscal year 1980-81 had the agency submitted and received an approved indirect cost plan.

The Council stated that the indirect costs would be deducted from the overall grant causing a reduction in service provided with grant funds. The state General Fund provides limited support to all federal grants through accounting services and administration. Failure to claim these costs allows the agency to provide additional funding for direct grant costs contrary to state policy and places the burden of indirect costs on the General Fund.

RECOMMENDATION #5

WE RECOMMEND THAT MONTANA ARTS COUNCIL RECOVER INDIRECT COSTS OF FEDERAL ASSISTANCE PROGRAMS IN ACCORDANCE WITH STATE LAW AND DEPOSIT THEM IN ACCORDANCE WITH STATE POLICY.

INTERNAL CONTROL

As part of our examination of the financial statements at the Montana Arts Council, we made a study and evaluation of the system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards. The purpose of our study and evaluation was to determine the nature, timing, and extent of the auditing procedures necessary for expressing an opinion on the Council's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole.

The management of the Montana Arts Council is responsible for establishing and maintaining a system of internal accounting

control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal accounting control of the Montana Arts Council taken as a whole. However, our study and evaluation disclosed no condition that we believe to be a material weakness.

PRIOR AUDIT RECOMMENDATIONS

We last audited the Montana Arts Council for the fiscal year ended June 30, 1979. We made eight recommendations which are

still applicable to the Council's operations. The Council satisfactorily implemented 4, partially implemented 1, and did not implement 3. Of the 3 recommendations not implemented, the Council concurred with 2. In those cases where prior recommendations have not been implemented they have been repeated in the appropriate sections of this report.

AUDITOR'S OPINION AND FINANCIAL STATEMENTS

STATE OF MONTANA
Office of the Legislative Auditor

STATE CAPITOL
HELENA, MONTANA 59620
406/449-3122

JAMES H. GILLETT, C.P.A.
ACTING LEGISLATIVE AUDITOR

JOHN W. NORTHEY
STAFF LEGAL COUNSEL

The Legislative Audit Committee
of the Montana State Legislature:

We have examined the combined Balance Sheets and Statements of Revenue, Expenditure, and Changes in Fund Balance - Budget and Actual of the various funds and account groups of the Montana Arts Council as of and for the two fiscal years ended June 30, 1981. Our examination was made in accordance with generally accepted government auditing standards for financial and compliance audits and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the financial position of such funds and account groups of the Montana Arts Council at June 30, 1981 and the results of its operations and the changes in fund balances of such funds for the two fiscal years then ended, in conformity with generally accepted accounting principles which, except for the change, with which we concur, in the combination of funds and in the accounting for federal grants from the cash basis to the modified accrual basis as described in Note 1 to the financial statements have been applied on a consistent basis.

The accompanying Schedule of Federal Grant Disbursements is presented for additional analysis and disclosure purposes in compliance with "Guidelines for Financial and Compliance Audits of Federally Assisted Programs" and is not a required part of the combined financial statements for the Montana Arts Council. This schedule has been subjected to the auditing procedures applied in the examination of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Respectfully submitted,

James H. Gillett, CPA
Acting Legislative Auditor

October 2, 1981

MONTANA ARTS COUNCIL
COMBINED BALANCE SHEET
ALL FUNDS AND ACCOUNT GROUPS
JUNE 30, 1981

	Governmental Funds		Account Group
	General	Special Revenue	General Fixed Assets
ASSETS			
Cash		$51,532	
Accounts Receivable		257	
Expense Advance to Employees		1,188	
Due from Other Fund Groups	$2,766	12	
Equipment			$41,395
Assets Available to Pay Accrued Expenditures and Payables	194		
Amount to be Provided for Lease Payments	610	610	
Total Assets	3,570	53,599	41,395
LIABILITIES AND FUND BALANCE			
Accounts Payable	2,634	30,476	
Due to Other Fund Groups	12	2,765	
Accrued Expenditures	314	314	
Deferred Revenue		7,294	
Installment Lease Payable	610	610	
Total Liabilities	3,570	41,459	
Investment in General Fixed Assets			41,395
Fund Balance	-0-	12,140	
Total Liabilities and Fund Balance	$3,570	$53,599	$41,395

The notes to the financial statements are an integral part of this statement.

MONTANA ARTS COUNCIL
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 1981

	GENERAL FUND			SPECIAL REVENUE FUNDS		
	Budget	Actual	Variance	Budget	Actual	Variance
REVENUES:						
Grants, Gifts, Bequests, & Donations				$ 41,400	$ 44,200	$ 2,800
Federal Assistance				422,067	398,258	(23,809)
Total Revenue	$ -0-	$ -0-	$ -0-	463,467	442,458	(21,009)
EXPENDITURES:						
Promotion of the Arts	76,628	76,565	$ 63	500,262	466,897	33,365
Total Expenditures	76,628	76,565	63	500,262	466,897	33,365
EXCESS OF CURRENT REVENUES OVER (UNDER) CURRENT EXPENDITURES	(76,628)	(76,565)	63	(36,795)	(24,439)	12,356
OTHER FINANCING SOURCES (USES):						
Prior Year Adjustments				56	56	-0-
Support From General Fund	76,628	76,565	(63)			
Transfer From Coal Tax Fund				25,375	25,375	-0-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER SOURCES (USES)	-0-	-0-	-0-	(11,364)	992	12,356
FUND BALANCE, JULY 1, 1980	-0-	-0-	-0-	(17,310)	11,148	28,458
FUND BALANCE, JUNE 30, 1981	$ -0-	$ -0-	$ -0-	$(28,674)	$ 12,140	$ 40,814

The notes to the financial statements are an integral part of this statement.

MONTANA ARTS COUNCIL
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 1980

	GENERAL FUND			SPECIAL REVENUE FUNDS		
	Budget	Actual	Variance	Budget	Actual	Variance
REVENUES:						
Rentals, Leases, & Royalties				$ 621	$ 621	$ -0-
Grants, Gifts, Bequests, & Donations				48,275	36,325	(11,950)
Federal Assistance				359,368	351,614	(7,754)
Total Revenue	$ -0-	$ -0-	$ -0-	408,264	388,560	(19,704)
EXPENDITURES:						
Promotion of the Arts	73,388	73,388	-0-	465,757	422,279	43,478
Total Expenditures	73,388	73,388	-0-	465,757	422,279	43,478
EXCESS OF CURRENT REVENUES OVER (UNDER) CURRENT EXPENDITURES	(73,388)	(73,388)	-0-	(57,493)	(33,719)	23,774
OTHER FINANCING SOURCES (USES):						
Prior Year Adjustments				25	25	-0-
Support From General Fund	73,388	73,388	-0-			
Transfer From Coal Tax Fund				13,813	13,813	-0-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER SOURCES (USES)	-0-	-0-	-0-	(43,655)	(19,881)	23,774
FUND BALANCE, JULY 1, 1979	-0-	-0-	-0-	26,345	31,029	4,684
FUND BALANCE, JUNE 30, 1980	$ -0-	$ -0-	$ -0-	$(17,310)	$ 11,148	$ 28,458

The notes to the financial statements are an integral part of this statement.

MONTANA ARTS COUNCIL

Notes to the Financial Statements

Fiscal Years Ended June 30, 1980 and 1981

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The state of Montana utilizes the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when received in cash, unless susceptible to accrual or deferral, and expenditures are recorded when a valid obligation is incurred. Revenues are susceptible to accrual if they are measurable and available to finance expenditures of the fiscal period or are not received at the normal time of receipt. Revenues are deferred if material and received before the "normal" time of receipt or if received for a particular activity and the expense for the activity has not been incurred prior to fiscal year-end.

With the following clarifications, a valid obligation exists when the associated liability is incurred:

--The liability amount associated with unused accumulated vacation and sick leave at June 30, 1981, is maintained on an hourly basis rather than by dollar amount. The monetary liability is not calculated until an employee terminates. Upon termination, qualifying employees are paid at their current pay rate for 100 percent of accumulated vacation and 25 percent of unused sick leave.

--If the appropriation provided funds to complete a given project, the entire amount of a service contract may be accrued even though the services are rendered in fiscal years subsequent to the fiscal year in which the expenditure is accrued.

--The anticipated cost of equipment is expensed in the fiscal year in which budgeted.

--Goods ordered, but not received as of the fiscal year-end, may be accrued if the purchase order was issued in the fiscal year in which the anticipated expenditure is to be accrued.

General Fixed Assets

General Fixed Assets are recorded as expenditures in the various funds at the time of purchase. Assets purchased are recorded at acquisition cost. Gifts are recorded in general fixed asset records at fair market value at the time received. Depreciation is not provided on general fixed assets.

Fund Types

The state of Montana accounts are organized utilizing a fund structure outlined in section 17-2-102, MCA. For financial reporting, these funds have been additionally reclassified according to the recommended format established by the National Council on Governmental Accounting (NCGA).

--Governmental Fund Types

General Fund - to account for moneys, except those moneys required to be accounted for in another fund. General Fund moneys deposited in the state treasury are available to defray the costs of state government.

Special Revenue Fund - to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. Revenue from federal and community matching grants, appropriations of the coal tax funds for cultural and aesthetic purposes, and grant moneys distributed to subgrantees for Council initiated projects and special grants are recorded in the Special Revenue Fund.

2. RETIREMENT SYSTEM

Council employees participate in the Public Employees' Retirement System (PERS), a contributory plan which covers public employees in the state. The state contributes 6.2 percent of an employee's gross wages and the employee contributes 6 percent of his gross wages to PERS. Total pension contributions made by the Council during fiscal year 1979-80 were $3,549; during fiscal year 1980-81, $4,317.

The state's policy is to fund accrued pension costs. At June 30, 1981, the PERS was actuarially sound. The unfunded past service costs and the actuarially computed value of vested benefits were not readily available for members of the plan employed by the agency.

3. LEASES

The Council made payments of $910 in fiscal year 1980 and $1,054 in fiscal year 1981 for leased equipment. Lease rentals are recorded as expenditures over the lease term as they become payable. Current commitments under the lease agreement for equipment provide for the following minimum lease payments:

Year	Capital Lease
1982	$1,220

4. BUDGET INFORMATION

The Council utilizes a fixed annual basis of budgeting. Under the fixed annual method, appropriations of specific dollar amounts are set for each fiscal year of a biennium by the legislature. Appropriations control the Council's financial operations

during each fiscal year. At the end of each year, the Council's general fund balance reverts to the fund of origin. Due to timing differences between the federal granting year and the state fiscal year, Special Revenue Fund appropriations are established as continuing from year to year until expended. Reverted appropriations may be used in the subsequent year as authorization for valid prior year obligations.

Budget amendments represent the authorization to spend funds not available for consideration by the legislature but available from sources other than the general fund or federal revenue sharing moneys. Budget amendments are approved by the Governor or his designee.

MONTANA ARTS COUNCIL
SCHEDULE OF GRANT DISBURSEMENTS
FISCAL YEARS ENDED JUNE 30, 1980 AND 1981

	Fiscal Year 1980	Fiscal Year 1981
Grant Numbers	92-6011-092 92-6012-144 92-5111-050	02-6141-060 02-6152-061 02-5150-045
Special Projects	$ 48,559	$ 66,061
General Support	44,100	28,000
Technical Assistance	29,080	33,913
Touring	56,923	57,871
Small Groups	1,331	-0-
Other	17,211	47,240
Artists in the School	62,524	61,228
MAC Operations	86,097	104,495
Total	$345,825	$398,808

AGENCY REPLIES

MONTANA ARTS COUNCIL

TED SCHWINDEN, GOVERNOR

STATE OF MONTANA

(406) 543-8286

MISSOULA, MONTANA 59801

RECEIVED
MAR 9 1982
MONTANA LEGISLATIVE AUDITOR
1280 S. 3RD WEST

March 8, 1982

TO: James H. Gillett
Acting Legislative Auditor

FROM: David E. Nelson DEN.
Executive Director

This agency's written reply to the audit report for fiscal years 1980 and 1981 follows.

RECOMMENDATION #1

WE RECOMMEND THAT THE DEPARTMENT OF ADMINISTRATION ESTABLISH GUIDELINES TO PROPERLY RESTATE CASH TRANSACTIONS OCCURRING BETWEEN RESPONSIBILITY CENTERS OR ACCOUNTING ENTITIES WITHIN A FUND.

The Department of Administration will respond to this recommendation.

RECOMMENDATION #2

WE RECOMMEND THAT MONTANA ARTS COUNCIL RECORD REVENUE IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES.

WE CONCUR. This recommendation will be implemented at fiscal year end.

RECOMMENDATION #3

WE RECOMMEND THAT MONTANA ARTS COUNCIL:

A. CONTACT THE DEPARTMENT OF HEALTH AND HUMAN SERVICES FOR GUIDANCE ON COMPLIANCE WITH ATTACHMENT P AUDIT REQUIREMENTS FOR SMALL SUBGRANTEES.

B. INCLUDE CIRCULAR A-102, ATTACHMENT P, AUDIT REQUIREMENTS IN CONTRACTS WITH SUBGRANTEES.

C. ENSURE COMPLIANCE BY OBTAINING COPIES OF ALL REQUIRED AUDIT REPORTS.

WE CONCUR. Implementation will begin immediately.

RECOMMENDATION #4

WE RECOMMEND THAT MONTANA ARTS COUNCIL SUBMIT FINANCIAL REPORTS WHEN DUE OR REQUEST WRITTEN AUTHORIZATION FOR EXTENSION OF REPORT DUE DATES.

WE CONCUR. Implementation will begin immediately.

RECOMMENDATION #5

WE RECOMMEND THAT MONTANA ARTS COUNCIL RECOVER INDIRECT COSTS OF FEDERAL ASSISTANCE PROGRAMS IN ACCORDANCE WITH STATE LAW AND DEPOSIT THEM IN ACCORDANCE WITH STATE POLICY.

WE CONCUR. Implementation will begin immediately.

"AN EQUAL OPPORTUNITY EMPLOYER"

DEPARTMENT OF ADMINISTRATION
DIRECTOR'S OFFICE

TED SCHWINDEN, GOVERNOR

STATE OF MONTANA

(406) 449-2032

MONTANA LEGISLATIVE AUDITOR
MITCHELL BUILDING

HELENA, MONTANA 59620

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MAR 1 0 1982

March 8, 1982

James H. Gillett
Acting Legislative Auditor
State Capitol
Helena, MT 59620

Dear Mr. Gillett:

In accordance with your request, we submit the following response to the recommendation included in the recently completed audit report on the Montana Arts Council:

Recommendation #1

We recommend that the Department of Administration establish guidelines to properly restate cash transactions occurring between responsibility centers or accounting entities within a fund.

Response:

We concur. The general year-end cutoff instructions to agencies for fiscal year 1981-82 will state that the cash control account should still be used for intrafund transactions within a state agency.

Sincerely,

Morris L. Brusett
Director

AN EQUAL OPPORTUNITY EMPLOYER